

PUBLIC DISCLOSURE

NOVEMBER 14, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**WALPOLE CO-OPERATIVE BANK
26487**

**982 MAIN STREET
WALPOLE, MA 02081**

**Division of Banks
1000 Washington Street
Boston, MA 02118**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
--------------	--

TABLE OF CONTENTS

I. General Information	1
II. Institution CRA Rating	
a. Overall Rating	1
b. Scope of Examination	2
c. Description of the Institution	4
d. Description of the Assessment Area.....	5
e. Conclusions Regarding Performance Criteria	
Lending Test.....	7
Community Development Test.....	14
III. Appendices	
General Definitions.....	A-1

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Walpole Co-operative Bank (or the "Bank")** prepared by the Division, the institution's supervisory agency as of **November 14, 2011**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts regulation 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding."

An institution in this group has an excellent record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Intermediate Small Bank CRA procedures were utilized for the evaluation. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these tests is summarized below:

***Lending Test:* This test is rated "High Satisfactory."**

- Walpole Co-operative Bank's average net loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the Bank's loans are in its assessment area.
- The distribution of borrowers reflects, given the product lines by the institution, good penetration among retail customers of different income levels and businesses of different revenue sizes based on the demographics of the assessment area and a comparison to aggregate data.
- The geographic distribution of the Bank's residential and small business loans reflects reasonable dispersion of small business and residential loans throughout the assessment area based on the area's demographics and aggregate lending.
- The Bank has not received any CRA-related complaints.

***Community Development Test:* This test is rated "Outstanding."**

- The Bank's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and need and availability of such opportunities for community development in the institution's assessment area.

SCOPE OF THE EXAMINATION

Intermediate Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance. These procedures utilize two performance tests: the Lending Test and the Community Development Test. This evaluation considered the Bank's lending and community development activities for the period of July 29, 2008 to November 14, 2011. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

Through a review of the Bank's loan portfolio composition and discussions with management, it was noted that the Bank's primary lending focus is commercial lending. As such, the Bank's small business lending activity is weighted more heavily when arriving at rating conclusions within the applicable Lending Test criteria. While the majority of the Bank's loan portfolio is commercial in nature at 51.6 percent as of September 30, 2011, the Bank also remains committed to originating residential real estate loans at 29.8 percent as of September 30, 2011. Consumer lending was excluded for this analysis since it accounts for only a small portion of the Bank's total lending activity and the Bank does not collect information regarding such activity. Additionally, the Bank did not originate any small farm loans and as such, are not analyzed in this evaluation.

The Lending Test focused on small business and home mortgage lending. Small business and home mortgage data analyzed included full-year data from January 1, 2009 through December 31, 2010, as well as data through November 14, 2011 (YTD). Information concerning small business lending was derived from CRA small business loan registers maintained by the Bank.¹ The registers contain information on commercial real estate and commercial and industrial loans originated with balances of \$1 million or less.

This evaluation also considered home mortgage lending derived from the Loan Application Registers ("LARs") maintained by the Bank, pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including refinancing, or one- to four-family and multifamily (five or more units) properties.

Small business lending data for 2009 and 2010 is presented in the *Geographic Distribution and Lending to Borrower's of Different Incomes and Businesses of Different Sizes* tables. The Bank's 2009 and 2010 small business lending performance is the focused as full-year lending data is available for both years. As an Intermediate Small Bank, small business loans are not required to be reported by the Bank. Comparing the Bank's small business lending activity to small business aggregate data would not be appropriate, as the aggregate lenders are much larger institutions required to report small business data. Instead, the Bank's small business lending performance is compared to pertinent demographic information. Small business lending data for YTD 2011 is referenced in the narrative to illustrate trends in the Bank's lending data.

Home mortgage lending for 2009 and 2010 is presented in the *Geographic Distribution and Lending to Borrower's of Different Incomes and Businesses of Different Sizes* tables. The Bank's lending performance in 2009 and 2010 is focused on as these are most recent years for which aggregate HMDA lending data is available (aggregate lending data). The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Bank's assessment area. Home mortgage lending data for YTD 2011 is referenced in the narrative to illustrate trends in the Bank's lending data.

¹ While the Bank is not subject to formal CRA data reporting, given its asset size, the Bank still collects the data.

The Community Development Test included community development loans and services for the period July 29, 2008 through November 14, 2011. Community development grants and donations from July 29, 2008 through YTD 2011 were also included. No equity investments were made or are currently held by the Bank during the evaluation period.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the September 30, 2011 Report of Condition and Income ("Call Reports").

PERFORMANCE CONTEXT

Description of Institution

Walpole Co-operative Bank is a mutually-owned financial institution founded in 1912. The main office is located at 982 Main Street in Walpole, Massachusetts. The Bank does not operate any other branch offices. The Bank has one wholly-owned subsidiary, WCB Securities Corporation, which was formed to hold bank securities.

Walpole Co-operative Bank is a full-service financial institution that offers a variety of products and services. Commercial loan products include term loans, lines of credit, letters of credit and commercial real estate loans. The Bank also offers a variety of home loan products for the purchase, refinance, or construction of residential property. These include both fixed and adjustable rate mortgage loans. Consumer loan products are generally limited to passbook secured loans and home equity lines/loans.

Walpole Co-operative Bank has total assets of approximately \$357 million consisting primarily of loans and securities. The Bank has experienced modest growth since the last Division CRA evaluation conducted as of July 28, 2008. Since the last evaluation, total assets have increased 10.6 percent from \$319 million to the current level. There has been an increase of nearly \$40 million, or 12.3 percent, in overall dollar volume of loans within the Bank's portfolio since the previous CRA evaluation.

Loans total \$287.6 million as of September 30, 2011, and account for 80.5 percent of total assets. Refer to Table 1 for information regarding the composition of the loan portfolio.

Table 1		
Loan Distribution as of September 30, 2011		
Loan Type	Dollar Amount \$(000's)	Percent of Total Loans
Construction and Land Development	53,570	18.6
Revolving, open-end 1-4 Family Residential	21,632	7.5
1-4 Family Residential (first and second lien)	54,937	19.1
Multi-Family (5 or more) Residential	9,103	3.2
Commercial Real Estate	126,503	44.0
Total Real Estate Loans	265,745	92.4
Commercial and Industrial	21,913	7.6
Consumer	45	0.0
Less: Unearned Income	114	0.0
Total Loans	287,589	100.0

Source: Reports of Income and Condition (Call Report)

As shown in Table 1, the Bank is primarily a commercial lender. Commercial real estate and commercial and industrial loans comprise 51.6 percent of the loan portfolio. Residential real estate loans, including revolving one-to-four family loans, one-to-four family residential loans, and multi-family residential loans, comprise 29.8 percent of the loan portfolio.

The Division last evaluated the Bank's CRA performance on July 28, 2008, and assigned a rating of "Satisfactory." At the time of the evaluation, the Bank was examined using the Intermediate Small Bank CRA procedures.

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the community's credit needs remains strong.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Division evaluates an institution's CRA Performance based upon the defined assessment area. Walpole Co-operative Bank has defined the municipalities of Bellingham, Canton, Dedham, Dover, Foxboro, Franklin, Mansfield, Medfield, Medway, Millis, Needham, Norfolk, Norwood, Plainville, Sharon, Walpole, Wellesley, Westwood and Wrentham. Mansfield is located in Bristol County, within the Providence-New Bedford-Fall River, RI-MA Metropolitan Statistical Area ("MSA"). All other towns are located in Norfolk County, which is part of the Boston-Quincy MA-Metropolitan Division ("MD"). The assessment area as currently defined meets the technical requirements of the CRA regulation since it (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state borders, (5) does not reflect illegal discrimination, (6) does not arbitrarily exclude low- and moderate-income areas.

The assessment area has not changed since the previous examination. The area is comprised of 58 census tracts, of which 15 are middle income and 43 are upper-income. There are no low- or moderate-income census tracts within the Bank's assessment area.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Based on 2000 U.S. Census data, the total population of the assessment area is 333,111 individuals. Of the total population within the assessment area, 25.7 percent reside in middle-income census tracts and 74.3 percent reside in upper-income tracts. Households total 118,722, of which 27.9 percent are middle-income and 72.1 percent are upper-income.

Providing further insight into the demographic composition of the assessment area population is the number of families at each income level. According to the 2000 U.S. Census data, of the 88,443 families in the assessment area, 9.4 percent are low-income, 11.9 percent are moderate income, 19.6 percent are middle income, and 59.1 percent are upper-income. Additionally, 3.9 percent of the assessment area families are below the poverty level. The adjusted Median Family Income ("MFI") as determined by Department of Housing and Urban Development ("HUD") for the assessment area was \$83,310 in 2009 and \$84,522 in 2010. HUD publishes annual estimates of median family income that are adjusted for inflation and other economic events.

Housing units within the assessment area total 121,367, of which 93,754 or 77.3 percent are owner occupied, and 24,876 or 20.5 percent are rental units. Of the owner-occupied units within the assessment area, 25.2 are in middle-income census tracts and 74.8 percent are in upper-income census tracts. A total of 2.3 percent are vacant units.

Refer to Table 2 below for pertinent demographic and economic information concerning the assessment area.

Table 2 Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	58	0.0	0.0	25.9	74.1
Population by Geography	333,111	0.0	0.0	25.7	74.3
Owner-Occupied Housing by Geography	93,754	0.0	0.0	25.2	74.8
Business by Geography	40,891	0.0	0.0	23.8	76.2
Family Distribution by Income Level	88,443	9.4	11.9	19.6	59.1
Distribution of Low and Moderate Income Families throughout AA Geographies	18,863	0.0	0.0	37.3	62.7
Median Family Income		\$90,894	Median Housing Value	\$279,570	
HUD Adjusted Median Family Income for 2009		\$83,310	Unemployment Rate	7.3%	
HUD Adjusted Median Family Income for 2010		\$84,522	Below Poverty Level	3.9%	

Source : 2000 US Census and 2009, 2010 HUD updated MFI

The table above displays the median housing value in the assessment area according to the 2000 Census data. More recent data obtained from the *Warren Group*, Publisher of Banker and Tradesman indicated that the 2009, 2010, and year-to-date median housing values in the assessment area ranged from a low of \$231,750 to a high of \$935,000.

Numerous businesses operate throughout the assessment area, with the highest concentration being in the upper-income census tracts. According to 2010 Business Geodemographic Data, the area has 27,835 non-farm businesses in operation, 77.9 percent of which are known to have gross annual revenues under \$1 million. The highest proportion of these business establishments are engaged in the service industry and in retail trade. In terms of employees, approximately 70.5 percent of the area's businesses employ four or fewer people.

Walpole Co-operative Bank operates in a competitive market area in terms of financial services. The Bank competes for residential loans with many commercial banks, savings banks, credit unions, and mortgage lenders that operate in the area. Among the more prominent mortgage lenders competing with the Bank are Bank of America, JPMorgan Chase Bank, Mortgage Master, Ally Bank, GMAC Mortgage, Wells Fargo Funding, Sovereign Bank, US Bank, and RBS Citizens. According to a 2010 market share report, Walpole Co-operative Bank captured 0.38 percent of the market. In 2010, 367 lenders reported a total of 28,503 originated residential mortgage loans within the Bank's assessment area.

A community contact was conducted in conjunction with this CRA evaluation. The contact was conducted with a local housing authority. The contact noted that there is a lack of affordable rental housing units in the area, and that there are opportunities for local financial institutions to provide financing for the development of new units. Additionally, there is a need for more flexible lending programs for local homeowners. Overall, financial institutions could do more to adequately serve the community needs of the area.

PERFORMANCE CRITERIA

The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit ("LTD") ratio, assessment area concentration, borrower's profile, geographic distribution of loans, and the response to CRA complaints. The Community Development Test considers qualified community development loans, investments and donations, and services.

LENDING TEST

1. LOAN TO DEPOSIT ANALYSIS

This performance criterion determines the percentage of the Bank's deposit base reinvested in the form of loans and evaluates its appropriateness. The Bank's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and credit needs within the assessment area.

The average LTD ratio of 105.0 percent was calculated using Federal Financial Institution Examination Council ("FFIEC") Call Report Data for the 13 quarters since the previous CRA evaluation. The ratio did not fluctuate significantly during the quarters examined, ranging from a high of 107.0 percent in September 2009 to 103.5 percent in June of 2010 and 2011. Net loans increased 7.9 percent and deposits increased 9.9 percent during this time period. Since the previous evaluation, the Bank's LTD ratio has decreased slightly from its September 30, 2008 level of 106.7 percent to its current level of 104.4 percent (as of September 30, 2011).

For comparison purposes, the Bank's average LTD ratio was compared against the average LTD ratios of four similarly situated institutions (similar asset size and loan portfolio composition).

Table 3		
Peer Group Loan-to-Deposit Comparison		
Institution Name	Total Assets ('000s) as of 9/30/11	Average Net LTD Ratio 9/30/08 - 9/30/2011
Norwood Co-operative Bank	\$394,389	97.0
Randolph Savings Bank	\$382,068	65.0
Walpole Co-operative Bank	\$357,167	105.0

Source: September 30, 2011 Call Reports

As displayed in the table above, the Bank's average LTD ratio of 105.0 percent was higher than that of two similarly situated institutions. Given the Bank's size, financial condition, and the characteristics of similar institutions, the LTD ratio is more than reasonable.

The Bank is both a portfolio lender and sells loans on the secondary market. Part of the loan portfolio is funded by borrowing from the Federal Home Loan Bank of Boston. This, in addition to the Bank's LTD ratio, demonstrates its willingness to reinvest in the community through its lending services.

2. ASSESSMENT AREA CONCENTRATION

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both small business lending and residential lending. Based upon a review of the small business and home mortgage loan data, a majority of the Bank's lending activity occurs in the assessment area. Refer to Table 4 for specific information concerning the distribution of loans inside and outside the assessment area.

Table 4
Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area

Loan Category or Type	Number of Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential 2009										
Home Purchase	23	71.9	9	28.1	32	5,190	70.0	2,225	30.0	7,415
Refinance	100	78.7	27	21.3	127	24,581	75.5	7,966	24.5	32,547
Home Improvement	4	100.0	0	0.0	4	670	100.0	0	0.0	670
Total	127	77.9	36	22.1	163	30,441	74.9	10,191	25.1	40,632
Residential 2010										
Home Purchase	25	80.7	6	19.4	31	7,791	74.5	2,663	25.5	10,454
Refinance	68	69.4	30	30.6	98	15,732	64.5	8,670	35.5	24,402
Home Improvement	15	79.0	4	21.1	19	3,435	89.6	399	10.4	3,834
Total	108	73.0	40	27.0	148	26,958	69.7	11,732	30.3	38,690
Residential 2011 YTD										
Home Purchase	27	65.8	14	34.2	41	9,584	54.0	8,161	46.0	17,745
Refinance	28	66.7	14	33.2	42	7,331	51.4	6,939	48.6	14,270
Home Improvement	3	30.0	7	70.0	10	677	24.3	2,114	75.7	2,791
Total	58	62.4	35	37.6	93	17,892	51.4	16,914	48.6	34,806
Residential Total	293	72.5	111	27.5	404	75,291	66.0	38,837	34.0	114,128
Small Business 2009	67	82.7	14	17.3	81	17,788	83.8	3,449	16.2	21,237
Small Business 2010	50	72.5	19	27.5	69	11,661	67.7	5,555	32.3	17,216
Small Business 2011 YTD	60	80.0	15	20.0	75	12,248	70.2	5,211	29.8	17,459
Small Business Total	177	78.7	48	21.3	225	41,697	74.6	14,215	25.4	55,912
Grand Total	470	74.7	159	25.3	629	116,988	68.8	53,052	31.2	170,040

Source: 2009 and 2010 HMDA LARs, 2009 and 2010 CRA small Business LARs (Internal Bank Records)

Small Business Loans

In 2009, the Bank originated 67 small business loans totaling \$17.8 million within the assessment area. The Bank's small business lending decreased in 2010, as 50 loans totaling \$11.7 million were originated within the assessment area. There were 60 small business loan originations totaling \$12.2 million within the assessment area during YTD 2011, which reflects the Bank's increasing focus on commercial lending.

During the examination period, the Bank originated 177 small business loans totaling slightly under \$41.7 million in the assessment area. This represents 78.7 percent of the total number of small business loans originated by the Bank and 74.6 by dollar volume.

Residential Loans

In 2009, the Bank originated 127 residential loans totaling \$30.4 million within the assessment area in 2009. In 2010, residential lending in the assessment area included 108 residential loans totaling \$26.9 million. YTD 2011, the Bank originated 51 residential loans within the assessment area. This decreasing trend in residential lending can be attributed to the Bank's increasing focus on commercial lending.

The Bank originated 293 residential loans totaling slight more than \$75.2 million in the assessment area during the evaluation period. This represents 72.5 percent of the total number of residential loans originated by the Bank and 66.0 percent by dollar volume

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES

The distributions of loans by borrower income and small business gross annual revenues were reviewed to determine the extent to which the Bank is addressing the credit needs of the area's low- and moderate-income residents and small businesses.

The Bank's distribution of small business loans by revenue were evaluated and compared to demographic data. The Bank's distribution of residential loans by borrowers reported incomes for 2009 and 2010 were compared to HMDA aggregate data of the respective years. Additionally, the borrowers' reported incomes were compared to demographic data. Given that the primary business focus of the Bank is small business lending, the distributions of these loans were weighted more heavily than residential lending. The distribution of borrowers reflects good penetration of loans among borrowers of different income levels and businesses of different revenues based on the area's demographics and/or a comparison to aggregate lending data in the assessment area.

Small Business Loans

The Bank's small business lending was reviewed to assess how well the Bank is addressing the area's business credit needs. Refer to Table 5 for information concerning the distribution of small business loans to businesses with Gross Annual Revenues ("GAR") of \$1 million or less.

Table 5						
Distribution of Small Business Loans by Gross Annual Revenue (GAR)						
GAR ('000s)	2009 Demographic Data	2009 Bank Loans		2010 Demographic Data	2010 Bank Loans	
	% of Businesses	#	%	% of Businesses	#	%
<= \$1,000	68.2	28	41.8	78.3	26	52.0
> \$1,000	4.0	39	58.2	5.6	24	48.0
Not Reported	27.8	0.	0.0	16.1	0	0.0
Total	100.0	67	100.0	100.0	50	100.0

Source: 2009 and 2010 small business loans (Internal Bank Records), 2009 and 2010 Dunn & Bradstreet data.

As the above table indicates, the Bank originated 67 small business loans in 2009. Of these, 28 loans, or 41.8 percent, were to businesses with gross annual revenues of \$1 million or less. This percentage of loans is less than the percentage of businesses known to be in that revenue category. It should be noted that the business revenues for approximately 27.8 percent of the area's establishments were unknown in 2009.

In 2010, the Bank originated 50 small business loans. Of these, 26 loans, or 52.0 percent, were to businesses with gross annual revenues of \$1 million or less. This percentage of loans is less than the percentage of businesses known to be in that revenue category. Again, it should be noted that the business revenues of approximately 16.1 percent of the area's establishments were unknown in 2010.

Data from YTD 2011 shows a slight decrease in percentage of loans made to small businesses with revenues less than \$1 million, at 45 percent of loans.

Additionally, analysis was performed by dollar amount of the loan. Loan amount is used as a proxy for business size based on the assumption that the smaller the loan amount, the smaller the business receiving credit. The Bank has an adequate distribution of loans by loan size

As reflected by Table 6, during 2009, 34.3 percent of the Bank's small business loans were in amounts of \$100,000 or less, which is adequate. 29.9 percent were between \$100,000 and \$250,000. In 2010, the percentage of loans in amounts of \$100,000 or less increased to 46.0 percent and the percentage of loans between \$100,000 and \$250,000 decreased to 22.0 percent. For YTD 2011, the percentage of loans in amounts of \$100,000 or less decreased slightly to 42.9 percent and the percentage of loans between \$100,000 and \$250,000 increased to 32.1 percent. When considering loan amount as a surrogate for business size, this level of small-dollar loans demonstrates the Bank's willingness to meet the smaller credit needs of business owners in the assessment areas.

Table 6				
Distribution of Small Business Loans by Loan Size				
Loan Size	Bank Loans			
	#	%	\$ (000's)	%
2009				
Less Than \$100,000	23	34.3	1,327	7.4
\$100,000 - \$250,000	20	29.9	3,780	21.3
Over \$250,000	24	35.8	12,681	71.3
Total	67	100.0	17,788	100.0
2010				
Less Than \$100,000	23	46.0	1,302	11.2
\$100,000 - \$250,000	11	22.0	2,030	17.4
Over \$250,000	16	32.0	8,329	71.4
Total	50	100.0	11,661	100.0
Grand Total	117	100.0	29,449	100.0

Source: 2009 and 2010 small business loans (Internal Bank Records)

Residential Loans

As indicated in Table 7 below, in 2009 the Bank originated 2.4 percent of its HMDA reportable loans to low-income borrowers. This is comparable to the performance of aggregate lenders, as 2.5 percent of loans were made to low-income borrowers. The lending activity to low-income borrowers fell short of the percentage of low-income families in the area (9.4 percent). In 2010, the Bank made 7.1 percent of its loans to low-income borrowers, exceeding aggregate lending data, but falling short of demographic data (9.4 percent of families). The lending activity to low-income borrowers reflects good penetration given the fact that 3.9 percent of families in the assessment area are below the poverty level, negatively impacting the Bank's ability to make loans to this segment of the population.

Table 7 Distribution of Home Mortgage Loans by Borrower Income (Excludes loans with unknown income)									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009									
Home Purchase	22	9.1	40.9	13.6	36.4	3.2	15.5	25.6	55.7
Refinance	98	1.0	15.3	29.6	54.1	2.2	10.4	22.2	65.2
Home Improvement	4	0.0	25.0	0.0	75.0	4.5	13.8	25.4	56.2
Total	124	2.4	20.2	25.8	51.6	2.5	11.5	23.0	63.1
2010									
Home Purchase	14	7.1	14.3	21.4	57.1	2.9	14.1	23.7	59.3
Refinance	13	5.2	19.0	20.7	55.2	1.6	8.6	20.5	69.3
Home Improvement	58	15.4	7.7	23.1	53.9	5.0	12.8	23.5	58.7
Total	85	7.1	16.5	21.2	55.3	2.0	9.7	21.2	67.2
Demographics	#	Distribution of Families							
		Low	Moderate	Middle	Upper				
Families	88,443	9.4	11.9	19.6	59.0				

Source: 2009 and 2010 HMDA LARS, HMDA Aggregate Data for 2009 and 2010, Demographics from 2000 US Census Data

The Bank outperformed aggregate lenders for both years reviewed. The Bank also outperformed demographic data in this segment, as 11.9 percent of families were moderate-income. The Bank's overall performance in lending to moderate-income borrowers reflects excellent penetration.

As of YTD 2011, the Bank originated 2.4 percent of its loans to low-income borrowers, and 9.8 percent of its loans to moderate-income borrowers. While lending to low- and moderate-income borrowers falls short of the distribution of low- and moderate-income families in the area, it is more than reasonable considering the demographics of the area and the Bank's increased focus on commercial lending.

4. GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans was reviewed to assess how well the Bank is addressing the credit needs throughout the assessment area. The geographic distribution of loans reflects reasonable dispersion of small business and residential loans throughout the assessment area based on the area's demographics and aggregate lending. As stated in the *Performance Context*, there are no low- or moderate-income census tracts in the assessment area. Refer to Table 8 and Table 9, respectively, for the distribution of small business and home loans among the census tract income categories.

Small Business Loans

The following table contains detailed data on the distribution of the Bank's small business loans by income level of the census tracts in its assessment area.

Table 8 Geographic Distribution of Small Business Loans by Income Level of Census Tract						
Census Tract Income Level	2009 Demographic Data	2009 Bank Loans		2010 Demographic Data	2010 Bank Loans	
	% of Businesses	#	%	% of Businesses	#	%
Middle	24.1	15	22.4	24.0	7	14.0
Upper	75.9	52	77.6	76.0	43	86.0
Total	100.0	67	100.0	100.0	50	100.0

Source: Internal Bank Records for 2009 and 2010 small business loans, 2009 and 2010 Dunn & Bradstreet data.

As reflected above, the Bank made 22.4 percent of its small business loans within middle-income tracts in 2009. This was comparable to the percentage of area businesses located within middle -income census tracts (24.1 percent). The Bank made 14.0 percent of its loans to middle-income tracts in 2010. This was below demographic data (24.0 percent). The Bank made 18.3 percent of its loans to middle-income tracts as of YTD 2011, showing an increasing trend. Overall, the geographic distribution of small business loans reflects reasonable dispersion.

Residential Loans

The following table contains detailed data on the distribution of the Bank's residential loans by income level of the census tracts in its assessment area. Demographic information is included for comparison purposes.

Table 9 Distribution of Home Mortgage Loans by Census Tract Income					
Loan Category	# of Bank Loans	Percent of Bank Loans		Percent of Aggregate Lending	
		Middle	Upper	Middle	Upper
2009					
Home Purchase	23	17.4	82.6	27.5	72.5
Refinance	4	11.0	89.0	19.7	80.3
Home Improvement	100	25.0	75.0	23.5	76.5
Total	127	12.6	87.4	21.4	78.6
2010					
Home Purchase	25	36.0	64.0	24.1	75.9
Refinance	68	16.2	83.8	18.7	81.3
Home Improvement	15	6.7	93.3	23.6	76.4
Total	108	19.4	80.6	19.8	80.2
Grand Total (#)	235	37	198		
Demographics	#	Distribution of Housing			
Owner Occupied Units	93,754	25.2	74.8		

Source: 2009 and 2010 HMDA LARS, HMDA Aggregate Data for 2009, Demographics from 2000 US Census Data

As indicated in the table above, the Bank's performance is generally consistent with the distribution achieved by the aggregate and is showing a positive trend toward consistency with the distribution of owner-occupied housing units. Overall, the distribution of HMDA reportable loans reflects reasonable dispersion.

5. REVIEW OF COMPLAINTS

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. Since the previous examination, the Bank received no complaints pertaining to the institution's CRA performance.

Fair Lending Policies and Practices

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

The Bank has a written Fair Lending Policy. The Bank proactively and affirmatively supports the fair lending process through fair, but flexible lending policies

The Bank provides ongoing education opportunities to employees, members of the Board of Directors and management on fair lending regulations and cultural diversity.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants and its reasonableness considering the demographics of the assessment area and the performance of the aggregate. Between January 1, 2009 and December 31, 2010, the Bank received a total of 329 residential loan applications from within its assessment area. During this period, 2 credit applications were received from minority applicants, a .6 percent in each year reviewed. This compares unfavorably to the performance of the aggregate which stood at 5.9 percent in 2009 and 7.4 percent in 2010. Of the total applications received from minority applicants, none were denied.

The Bank's minority application flow for this period was compared with the racial composition of the assessment area and the respective 2009, 2010 aggregate data for all other HMDA reporters within the assessment area. The comparison of data assists in deriving reasonable expectations for the rate of applications the Bank received from minority credit applications.

According to 2000 Census Data, Walpole Co-operative Bank's assessment area contained a population of 333,111 individuals, 6.7 percent of which is representative of various minority groups. Specifically, 1.5 percent of the people within the assessment area are identified as Black, 2.7 percent are Asian, 0.1 percent are American Indian, 1.5 percent are Hispanic, and 0.9 percent are defined as other race. The Bank's performance also did not compare favorably with the demographics of the assessment area.

COMMUNITY DEVELOPMENT TEST

The Bank's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments and grants, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area(s).

Qualified Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

Walpole Co-operative Bank originated an excellent level of community development loans. During the evaluation period, the Bank originated 27 community development loans totaling close to \$29 million in its assessment area.

Described below is a representative sample of community development loans originated during the evaluation period:

- In 2008, the Bank committed \$2,788,000 for the construction of a 40B housing project. Of the 62 lot subdivision, 15 are affordable homes set below market value to low- and moderate-income buyers.
- In 2009, the Bank made a SBA 504 loan for \$279,000 for the purchase of a new office facility located in a Historically Underutilized Business Zone (HUBZone).
- In 2010, the Bank renewed a \$3,000,000 participation line of credit to community development financial institutions whose missions are to build and strengthen low-income communities. These financial institutions invest in projects that provide affordable housing, needed goods and services, and new opportunities in low-income communities to help connect these neighborhoods to the mainstream economy.
- In 2011, the Bank committed \$3,655,000 for the construction of a 40B housing project. Of the 20 lot development, 5 are affordable homes set below market value to low- and moderate-income buyers.

Qualified Community Development Investments

A qualified investment for purposes of this CRA evaluation is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

Based upon the institution's financial condition and the needs and opportunities available within the assessment area, Walpole Co-operative Bank made a significant level of qualified investments, all in the form of grants and donations, and exhibited good responsiveness to credit and community economic development needs.

Grants and Donations

During the evaluation period, the Bank donated \$553,689 to various organizations and charities. Of the total dollars donated by the Bank, \$53,944, or 9.7 percent, qualified under the definition of community development.

For 2008, the Bank's grants and donations equaled 0.29 percent of pre-tax net operating income (NOI). That percentage decreased to 0.27 percent in 2009 and decreased to 0.25 percent in 2010. For YTD 2011, the NOI percentage has increased to 0.49 percent.

Refer to Table 10 for a summary of the grants and donations by community development purpose and year:

Table 10										
Qualified Community Development Grants & Donations										
Community Development Category	2008		2009		2010		YTD 2011		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing	0	0	1	50	-	-	-	-	1	50
Community Services	6	7,955.34	15	14,215	15	12,868	13	18,905.83	49	53,944
Total	6	7,955.34	16	14,265	15	12,868	13	18,905.83	50	53,994

Source: Internal Bank Records

Examples of organizations benefiting from grants and donations include the following:

- *Homeowner Options For Massachusetts Elders (H.O.M.E.):* This non-profit agency is dedicated to protecting the equity of low and moderate income elder homeowners by providing senior foreclosure prevention through in-home counseling services.
- *HESSCO Elder Services:* This organization helps elders keep their finances in order through an innovative money management program. This program helps the elderly pay their bills, balance their checkbooks, and stay within a budget on their limited income.
- *Longview Farm:* The farm is one of three residences belonging to the Home for Little Wanderers. The Home for Little Wanderers is a nationally renowned, private, non-profit child and family service agency originally founded as an orphanage. Today its mission is to ensure the healthy emotional, mental and social development children at risk, their families and communities whose belief is that all children be safe, nurtured and developed to reach their full potential.
- *Consumer Credit Counseling Service (CCCS):* This nonprofit organization is a community service agency whose services provide free, confidential budget counseling, community-wide education programs in money management, and debt management programs for consumer who are overextended and comprehensive house counseling.
- *Gifts for kids:* This non-profit organization helps ease the financial burden for less fortunate families during the holiday season. The program provides gifts and clothing to needy families.

Qualified Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services and assistance.

The Bank has provided a relatively high level of community development services demonstrating a good responsiveness to the area's community development needs.

Bank Employee Involvement

During the evaluation period, officers and employees of the Bank were involved in a number of organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members and volunteers.

The following are a few examples of how the Bank's participation with various organizations has benefited the assessment area:

- *HESSCO Money Management Program*: This non-profit agency helps the elderly with money management services. The Residential Loan Officer serves on the Advisory Board.
- *Bay Colony Development Corp*: This private non-profit corporation is a Certified Development Company whose purpose is to stimulate economic development through the creation and preservation of jobs by providing healthy companies with fixed asset financing at affordable rates and reasonable terms. A Senior Vice President and Senior Loan Officer is a member of the Advisory Board.
- *Neponset Valley Chamber of Commerce (NVCC)*: NVCC is a champion of small business needs in the communities of Canton, Dedham, Foxborough, Medfield, Milton, Norfolk, Norwood, Randolph, Sharon, Stoughton, Walpole, and Westwood. A Senior Vice President and Senior Loan Officer serves on the Board of Directors.

Educational Seminars/Programs

During the evaluation period, officers and employees of the Bank provided and participated in several seminars and programs related to financial services.

Listed below are the seminars and programs Bank officers and employees were involved with during the evaluation period:

- The Bank has sponsored and participated in first time homebuyer seminars and workshops as a means of educating the public and of promoting the Bank's products and services. These seminars have been held independently or in collaboration with organizations like Neighborhood Housing Services of Massachusetts.
- The Bank held a seminar at the Dover/Sherborn High School. The seminar was designed for high school students and covered the following topics: statistics on college debt; definition of credit, debit and interest; the difference between debit and credit cards; and the pros and cons of credit use.
- The Bank held a seminar for the Walpole Council on Aging which was extended to Councils on Aging in Medfield, Norfolk, Sharon, Foxborough, Westwood, and Wrentham. The purpose of the seminar was to inform seniors about identity theft, privacy issues, health, taxes, fraud, reverse mortgages and fuel assistance. More than 175 guests attended the seminar.

Other

The Bank participates in the following public and privately sponsored programs that have special features that are of particular benefit to low income consumers:

- The Bank is a member of SUM®, an alliance between many community banks that have agreed not to assess ATM surcharge fees to any of the other member banks' customers. This service is of particular benefit to low- and moderate-income consumers.
- The Bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program. This statewide program is designed to offer low cost checking and savings accounts to low- and moderate-income individuals.

GENERAL DEFINITIONS

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Metropolitan Statistical Area (MSA/MD): The Metropolitan Statistical Areas have at least one urbanized area of 50,000 or more population. There are 11 instances (Boston, Chicago, Dallas, Detroit, Los Angeles, Miami, New York, Philadelphia, San Francisco, Seattle, and Washington) where a Metropolitan Statistical Area containing a single core with a population of 2.5 million or more has been subdivided to form smaller groupings of counties referred to as **Metropolitan Divisions** (One or more large population centers and adjacent communities that have a high degree of economic and social integration.) Each MD must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MD comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MDs are composed of cities and towns rather than whole counties.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 982 Main Street, Walpole, MA 02081."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.